

ing up to \$1,500. The Royal Commission on Banking and Finance has recommended that the upper limit should be further raised to include loans up to \$5,000. This recommendation has been endorsed in briefs presented to us by the Consumers' Association of Canada, The Canadian Federation of Agriculture, the Family Bureau of Greater Winnipeg and others. It is opposed by the consumer loan companies, and Mr. MacGregor, with long experience in administering the Small Loans Act, feels that to move up to \$5,000 might mean going beyond consumer finance into an intermediate area.

The other way in which we have been urged to recommend extension of the scope of the Small Loans Act is to ensure that it applies specifically to purchase credit as well as loan credit. Many types of credit transaction common today were not even contemplated a quarter of a century ago, and it is becoming increasingly difficult to say whether a transaction involves mainly the sale of goods or the lending of money. At the same time the evidence shows that the money-lending business has gradually moved away from the simple matter of supplying needy borrowers with small sums of money.

The small loans business continues to grow both in amount of money involved and in number of loans made. Loans regulated under the Act advanced in one year now total more than \$800 million; the number of accounts is close to 1½ million, and the average loan is \$570. As Table 8 shows, the size of the loan has been gradually increasing in recent years.

We learned from the report of the Royal Commission on Banking and Finance that "the administrative expenses of the consumer loan companies are the highest of any class of financial institution." The high expenses are associated with numerous small branch offices. "They have almost doubled in the seven years ending in 1961 until now there are a quarter as many consumer loan offices as there are chartered banks." In spite of these high costs, net profits after taxes are also high compared with other major institutions. For example, they are more than double those of the mortgage loan business.

TABLE 8
NUMBER OF SMALL LOANS MADE BY SIZE OF LOAN, 1962-1964

Size of Loan \$	Year					
	1962		1963		1964	
	No.	%	No.	%	No.	%
1- 500.....	642,108	49.2	650,678	47.1	667,082	45.4
501-1,000.....	584,825	44.8	608,337	44.1	646,797	44.0
1,001-1,500.....	77,222	5.9	121,048	8.8	155,815	10.6
Total.....	1,304,155	99.9	1,380,063	100.0	1,469,694	100.0
Average size of loan.....	\$537		\$558		\$570	

SOURCE: Report of the Superintendent of Insurance for Canada, 1964, p. vi.

Refinancing and Consolidation of Debts

It has become a widespread pattern in recent years—evidently encouraged by money-lenders—for a person who requires a further loan before he has discharged his present indebtedness, to borrow more than enough to pay off